

THIS LEASE is made and entered into effective on January 1, 1978, by and between CROSBY CORPORATION, 914 Walker Bank Building, 175 South Main, Salt Lake City, Utah 84111, and ST. MARY PARISH LAND COMPANY, 910 Denver Center Building, 1776 Lincoln Street, Denver, Colorado 80203, hereinafter called "Lessor", and W. H. HUDSON, 620 Mercantile Securities Building, Dallas, Texas 75201 and SCOTT L. SMITH, 1019 Kearns Building, Salt Lake City, Utah 84101, hereinafter called "Lessee".

## W I T N E S S E T H:

For and in consideration of the sum of Ten Dollars (\$10.00) paid by Lessee to Lessor, the receipt and sufficiency of which is hereby acknowledged, and in further consideration of the covenants and agreements hereinafter set forth, the parties hereto agree as follows:

Section 1. Lessor's Warranties.

Lessor is the owner of certain patented mining claims situated in Carbon County, Utah, as specifically described and set forth in Exhibit "A", attached hereto and made a part hereof, and referred to hereinafter as the "Premises". Except as set forth in Exhibit "A", Lessor specially warrants its title to the Premises as against persons claiming by, through and under Lessor, but not otherwise.

Section 2. Grant.

Subject to the specific reservation hereinafter provided, and the terms and conditions hereinafter contained, Lessor hereby grants, leases and demises the Premises unto Lessee for the purpose of exploring, prospecting, drilling and mining for and producing, saving, taking, storing, refining, processing, transporting and marketing, native asphalt solid and semi-solid bitumen, bituminous rocks and sands, oil, gas and associated hydrocarbons, coal deposits and all other minerals of whatever kind or nature, which are situated in, upon or under the Premises at elevations above 7,600 feet mean sea level, together with the right to construct thereon all



extracting and processing of said substances.

Section 3. Definitions.

The following defined terms, wherever used in this Lease, shall have the meanings set forth below:

(a) "Lessor" shall mean Crosby Corporation and St. Mary Parish Land Company, their successors and assigns.

(b) "Lessee" shall mean W. H. Hudson and Scott L. Smith, or their successors and assigns hereunder.

(c) "Leased Substances" shall mean all native asphalt, solid and semi-solid bitumen, bituminous rock or sand, oil, gas and associated hydrocarbons, coal deposits and all other minerals of whatever kind or nature, which are situated in, upon or under the Premises at elevations above 7600 feet mean sea level.

(d) "Waste" shall mean earth, rock or material mined or removed from place in the Premises during the term of this Lease, but which is not Leased Substances as defined above.

(e) "Products" or "Product" shall mean all Leased Substances mined or removed from place in the Premises during the term hereof and shipped and sold by Lessee in a concentrated marketable form.

(f) "Royalty" shall mean a sum computed with respect to the gross value at the point of available transportation to market of all Products produced and saved from the Premises. For the purpose of computing the gross value at the point of transportation to market for application of royalty on any Products, due consideration shall be given to the highest price paid for the production of like quality products from lands in the same general area, the actual price received by Lessee, the posted price if any, and other relevant matters; but in no event shall the gross value for this purpose be less than the actual price received by Lessee, plus the amount



... subsidy or extra payment received by Lessee, based upon the quality or quantity of production, whether such subsidy or extra payment is made in money or for any other consideration, except development allowances.

(g) "Produced in commercial quantities" shall mean the production of Leased Substances or components of Leased Substances from the Premises, the output of which is sufficient during each calendar year to yield a royalty payment to Lessor as hereinafter provided, equal to at least \$100,000 per year.

(h) "Feasibility Study and Development Plan" shall mean a report, with supporting maps and computations, showing the feasibility of placing Leased Substances into production at a production rate compatible with the size of the mineable substance and method of mining to maximize rate of return, and shall include, without limitation: (1) reasonable assessments of the size and quality of the reserves to be produced; (2) reasonable assessments of the metallurgical or other processing treatment necessary to the production of the reserves; (3) reasonable descriptions of the pre-production work, production equipment, and supplies required to place the reserves into production and the estimated costs thereof; and (4) conclusions and recommendations with respect to the economic feasibility of bringing the reserves into production.

#### Section 4. Term.

This lease is granted for a term of ten (10) years from and after the date hereof, unless terminated in the manner provided in this lease, and for so long thereafter as Leased Substances are being produced in commercial quantities, as hereinabove defined; provided however, that if Leased Substances have not been produced in commercial quantities by the end of the tenth year of the lease term and if by such time Lessee (1) provides Lessor with a completed Feasibility Study and Development Plan prepared by a qualified independent



engineering firm which contains favorable conclusions and recommendations that the Leased Substances or components thereof may be economically produced in commercial quantities; (2) satisfies Lessor that the financing necessary to implement the above Feasibility Study and Development Plan has been unconditionally obtained; and (3) makes a firm and unconditional contractual commitment to Lessor that Leased Substances will be produced in commercial quantities pursuant to the provisions of the above Feasibility Study and Development Plan, then the lease term will be extended by Lessor from year to year so long as Lessee is diligently pursuing implementation of the Feasibility Study and Development Plan, but in no event will such extensions exceed three (3) years; provided, further that if Leased Substances are being produced in commercial quantities during the term hereof and such producing operation are temporarily suspended solely because of the need, dictated by a comprehensive Feasibility Study and Development Plan covering the Premises and adjoining lands, to move the mining operation to produce in commercial quantities on a tract of land covered by such Feasibility Study and Development Plan and which adjoins the Premises, then the lease term will continue during the period of time Lessee is producing in commercial quantities on such adjoining tract and during such time Lessee will be obligated to pay Lessor an advance royalty of \$100,000 per year.

Section 5. Reservation by Lessor.

Lessor hereby reserves all native asphalt, solid and semi-solid bitumen, bituminous rocks and sands, oil, gas and associated hydrocarbons, coal deposits and all other minerals of whatever kind or nature, which are situated in, upon or under the Premises at elevations below 7600 feet mean sea level, together with the right to explore, drill, produce, save and market any such substances situated below said depth.

Section 6. Royalties.

A. Advance Royalty.

Subject to its continuing right to terminate this Lease in the manner hereinafter provided, Lessee shall pay

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to Lessor, as an advance royalty for Leased Substances and Products produced or to be produced from the Premises, the following sums (subject to the inflation adjustment of Section 7.D.) on or before each anniversary date of the Lease during the term of this Lease or any extension or continuation thereof:

January 1, 1978	\$10,000
January 1, 1979	20,000
January 1, 1980	30,000
January 1, 1981	40,000
January 1, 1982, and subsequent years,	50,000

provided that after Leased Substances have first been produced in commercial quantities, the advance royalty shall be increased to \$100,000 per year for all subsequent years.

Each sum of advance royalty, paid as above, shall be applied, as far as it will go, in satisfaction of production royalties payable as provided below in Section 7-B for Leased Substances and Products, produced from the Premises and sold during the year for which such advance royalty is paid. If the sum paid as advance royalty for any year or years exceeds the amount of production royalty payable for such year or years, Lessee shall have the right to apply the excess as a credit or setoff, at the production royalty payable for any subsequent year or years while this Lease remains in effect, until by such application, the advance royalty paid by Lessee has been exhausted.

B. Production Royalty.

Lessee shall pay to Lessor a production royalty of one-twelfth (1/12th) of the value of all Products, as defined above, produced from the Premises during the term hereof and sold by or for Lessee.

Lessor shall have the right to take its royalty in kind by giving written notice to Lessee at least 90 days prior to exercising such right. When paid in kind, royalty Products in the form of the first concentrated marketable product, shall be delivered without cost to the Lessor at the point of transportation to market at such times and in such storage facilities as are provided by Lessor, unless otherwise agreed to by the parties hereto; and, provided, that the Lessee shall not be responsible or held liable for the loss or destruction of the royalty Product in storage from



Lessee shall transport, process or otherwise treat such Product as Lessor shall elect to take in kind in like manner as Lessee may then be transporting, processing or treating its share of said Product. Lessor shall reimburse Lessee for such transportation, processing or treatment by payment of the costs thereof to Lessee, plus ten percent (10%) of such costs.

Lessee shall have the right to use, free of cost, reasonable amounts of gas, oil and fuels developed on said Premises from the Leased Substances for Lessee's operations in producing a commercially marketable Product thereon during the term of this Lease so long as used solely to transport, produce, process or refine Leased Substances from the Premises.

C. Time and Manner of Payment.

Advance royalty shall be paid at the time set forth above.

Production royalty shall be paid not later than the 25th day of the month following the month in which the Product is either (i) sold or (ii) shipped from the Premises or from a concentration or beneficiation plant in the immediate vicinity of the Premises.

At the time of making each such payment, Lessee shall deliver to Lessor a statement showing the amount of such royalty and the manner in which it was determined and shall submit to Lessor data necessary to enable Lessor to verify the determination.

The advance royalty and production royalty to be paid by Lessee hereunder is based upon the interest in and title to all of the Premises as described in Section 1 above and shall be divided among Lessor, and by Lessor, as their several interests may appear. If Lessor owns less than the interest in all of the Premises described in Section 1, all payments to be made by Lessee to Lessor hereunder shall be reduced in the same proportion thereof as the interest of Lessor in the Premises bears to the entire Premises.

All payments to be made by Lessee to Lessor hereunder may be made by Lessee's check or draft mailed or delivered to

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Lessor, St. Mary Parish Land Company ("St. Mary"), at such Lessor's address for notice purposes, as set forth below, made payable to St. Mary, or for the account of St. Mary at such bank or banks, or elsewhere, in one of the United States, as St. Mary may designate from time to time by written notice to Lessee. Such bank or banks shall be deemed an agent of St. Mary for the purpose of receiving, collecting and receipting for such payments. Lessee shall not assume and is not charged with any responsibility as to the division of any payments made hereunder among the parties Lessor, and if Lessee makes a payment or payments in accordance with the provisions of this Section, it shall be conclusively deemed that such payment or payments have been received by the parties Lessor.

D. Inflation Adjustment.

The advance royalty payments set forth in Section 6-A, the exploration expenditure commitments contained in Section 7 and any payments made to Lessor under Section 4 shall be redetermined on the first anniversary date of this Lease and on each anniversary date thereafter during the term hereof in the following manner:

(a) Multiply the monetary payment as set forth in Sections 4, 6-A and 7 by the "wholesale price index for all commodities" published in the "Wholesale Prices and Price Indexes," Bureau of Labor Statistics, United States Department of Labor, in effect for the month of such anniversary date, hereinafter called the "current index number" (CIN).

(b) Divide the product of (a) above by the wholesale price index for all commodities for the month of January, 1978, "base index number" (BIN).

Section 7. Lessee Exploration Commitment.

Subject to its right to terminate this Lease as hereinafter provided, Lessee agrees to expend or cause to be expended during the term of this Lease the following sums on the Premises for the periods indicated:

Effective Date to December 31, 1978	\$100,000
January 1, 1979 to December 31, 1979	150,000
January 1, 1980 to December 31, 1980	200,000
January 1, 1981 to December 31, 1981 and subsequent years	250,000



These expenditures may include, but shall not be limited to, the activity or work of prospecting and searching for or production of Leased Substances on, in or under the Premises, drilling, examining, measuring and sampling the deposit of Leased Substances, when found, to gain knowledge of its size, shape, position and characteristics to determine the value thereof, research, test work, feasibility studies and other development and construction work directly benefiting the Premises, work performed on mineral lands contiguous to the Premises, direct benefit to the Premises and salaries and other expenses relating to Lessee's personnel directly involved in the project and all other similar activity or work performed on the Premises, but shall not include any property overhead and administrative expenses, expenditures made for acquisition of other mineral or exploration rights or other expenses unrelated to the Premises. All expenditures for exploration and development in excess of the respective minimum required in each year shall be applied to the exploration commitment described in the next succeeding year or years.

For the purposes of this Lease and particularly Section 19, this minimum expenditure obligation shall be deemed to have "accrued" as a firm Commitment of Lessee on the date this Lease is executed with respect to the first year's commitment and, as to subsequent years, the work commitment for any year must be completed before Lessee may exercise its right in that year to terminate the lease pursuant to Section 19 B.

#### Section 8. Taxes.

Lessee shall pay promptly before delinquency all taxes and assessments, general, special, ordinary and extraordinary that may be levied or assessed during the term of this Lease and upon the Premises, and upon all Leased Substances and Products therefrom. All such taxes for the year in which this Lease terminates shall be prorated between Lessor and Lessee, except that neither Lessor nor Lessee shall be responsible for the payment of any taxes which are based upon production from the Premises accruing solely to the other party. Lessee shall have the right to contest, in the court or otherwise, in its own name or in the name of Lessor, the validity or amount of any such taxes or assessments, if it deems the same unlawful, unjust, unequal or excessive, or to take such other steps



or proceedings as it may deem necessary to secure a cancellation, reduction, readjustment or equalization thereof, before it shall be required to pay the same. Lessee shall not permit or suffer the Premises or any part thereof to be conveyed, or title lost to Lessor, as the result of nonpayment of such taxes or assessments. Lessee shall upon request furnish to Lessor duplicate receipts for all such taxes and assessments when paid.

Lessee shall not be liable for any taxes levied on or measured by income, or other taxes applicable to Lessor, based upon payments under this Lease.

Nothing in the foregoing shall be construed to obligate Lessee to pay such portion of any tax as is based upon the value of improvements, structures or personal property made, placed and used on any part or parts of the Premises by or for Lessor or by an owner or lessee of surface rights other than Lessee after the date hereof. If Lessor receives tax bills or claims which are the responsibility of Lessee hereunder, the same shall be promptly forwarded to Lessee for appropriate action.

#### Section 9. Measurement; Analysis.

Lessee shall measure Products, and take and analyze samples thereof in accordance with sound mining and production practice, and shall keep accurate records thereof as a basis for computing royalty payments hereunder. These records shall be included in the reports referred to in the following Section 10.

#### Section 10. Reports; Inspection.

##### A. Annual Reports.

Lessee shall deliver, each year during the term hereof, to Lessor, copies of such maps, cross sections and other engineering data concerning the quality, location and treatment of Leased Substances and Products or material mined from the Premises or an adjoining properties upon which Lessee is producing Leased Substances in commercial quantities as Lessee customarily prepares or obtains for its own records, which information shall not require preparation of special records or reports by Lessee. This information



shall be furnished on or before the first day of March in each year during the term hereof, and the data contained therein shall be stated as it existed at the close of the preceding calendar year.

B. Quarterly Reports.

On or before the fifteenth day of each May, August, November and February during the term hereof, Lessee shall deliver to Lessor detailed statements for the preceding calendar quarter, showing separately the respective quantity and average analysis of Leased Substances and Products produced from the Premises or any adjoining properties upon which Lessee is producing Leased Substances in commercial quantities during such quarter.

C. Reports on Termination.

Upon termination of this Lease, Lessee shall deliver to Lessor a report of all exploration conducted, treatment processes studied or utilized and production obtained by Lessee on the Premises. This report shall show the location of all such exploration work, the results thereof, the character of any Leased Substances encountered, processes studied or utilized and means of treating Leased Substances, Lessee's analysis of such Leased Substances, and all other information relating to Lessee's operations with respect to the Premises.

D. Inspection.

Lessor and its authorized agents, at Lessor's risk and expense, at all reasonable times, may enter upon the Premises (and any adjoining properties upon which Lessee is producing Leased Substances in commercial quantities) to inspect the same and to measure the quantity and quality of Leased Substances mined therefrom or remaining therein, provided that Lessor shall not unreasonably or unnecessarily hinder or interrupt Lessee's operations. Lessor shall indemnify and save harmless Lessee, its successors and assigns from and against all liability, claims and causes of action for injury to or death of persons, or damage to property, including, without limitation, the person or property of Lessor and its agents, and third parties, in any manner resulting wholly or in part from the exercise of the foregoing rights by Lessor or its authorized agents.



E. Audit.

Lessor or its authorized agents shall have a right to audit and inspect Lessee's accounts and records used in calculating the payments to Lessor hereunder, which right may be exercised as to each payment at any reasonable time during a period of two (2) years from and after the date on which the payment was made by Lessee. If no such audit is performed during such period, such accounts, records and payments shall be deemed to be true, accurate and correct.

Section 11. Manner of Mining.

All of Lessee's operations hereunder shall be conducted in a careful and workmanlike manner, in accordance with accepted practices of the mineral industry, and in compliance with all applicable local, state and federal laws and regulations, without committing any unusual permanent waste or injury to any mine in the Premises, or interference with the subsequent operation thereof, if not reasonably necessary in Lessee's operations.

Lessee shall have no obligation, express or implied, to open or develop any mine or mines in the Premises, and so long as payments required hereunder are made by Lessee to Lessor, it shall rest in the sole discretion of the Lessee whether and in what manner it shall mine, remove, transport, and deliver Leased Substances to a processing plant or refinery for physical, chemical or other treatment or shall treat the same in place; provided, however, that with respect to the in-place treatment of bituminous materials, Lessee shall not undertake the same except pursuant to the provisions of a completed Feasibility Study and Development Plan prepared by a qualified independent engineering firm which reasonably concludes that such treatment will result in an economically feasible recovery of bitumen equal to or better than 80% of the in-place bitumen reserves. Whenever Lessee deems it necessary or advisable,



Lessee may discontinue or resume exploration, development, mining and production operations from time to time during the term hereof, so long as it meets its obligations hereunder.

Nothing herein shall require Lessee to develop a separate shaft or shafts in the Premises, or prevent Lessee from exercising the cross-mining rights hereinafter provided.

Section 12. Cross-Mining.

For the purpose of enabling Lessee to conduct, with great economy and convenience, the mining and removing of Leased Substance from the Premises, Lessee is hereby granted the right, if it so desires, to mine and remove Leased Substances, Products and materials from the Premises through or by means of shafts, openings or pits which may be made in or upon adjoining property owned or controlled by Lessee, to the extent that Lessor can grant such rights.

Lessee may, if it so desires, use the Premises and any shafts, openings and pits therein for the mining, removal, treatment and transportation of Leased Substances and materials from adjoining property, or for any purpose connected therewith.

For the purpose of enabling Lessee to conduct, to the best advantage of the parties hereto, and with greater economy and convenience, the mining, removal, handling and disposition of Leased Substances and Products from the Premises and from other adjoining lands in which Lessee or its affiliated companies may be conducting mining operations, the operations of Lessee and the said operations on other lands may be conducted upon the Premises and upon any and all such other adjoining lands as a single mining operation, to the same extent as if all such properties constituted a single tract of

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land. Nothing herein shall relieve Lessee from its obligations for payments or reports as set forth in this Lease.

Section 13. Stockpiling; Waste.

A. Stockpiling on Other Lands.

Lessee shall have the right, at any time during the term hereof, to stockpile any Leased Substances or Products mined or produced from the Premises at such place or places as Lessee may elect, either upon the Premises or upon any other adjoining lands owned or controlled by Lessee, its successors and assigns. The interests and liens of Lessor in and to any such Leased Substances or Products stockpiled on such other lands shall not be divested by the removal thereof from the Premises but shall be the same in all respects as though such materials had been stockpiled on the Premises. If such other lands are not owned by Lessee, Lessee shall obtain from the owners thereof a properly executed instrument under which the owners of such other lands agree to recognize the interests and liens of Lessor in or on (as the case may be) Leased Substances and Products stockpiled on such other lands.

The stockpiling of Leased Substances or Products from the Premises on such other lands shall not be deemed a removal or shipment thereof requiring payment in respect of Lessor's interest.

The tax covenants set forth in this Lease shall apply to Leased Substances and Products from the Premises stockpiled on such other lands.

B. Stockpiling on the Claims.

Lessee shall have the right, to the extent Lessee can grant such right and subject to all applicable local, state, and federal laws and regulations, at any time during the term hereof to stockpile on the Premises any Leased Substances, Products or materials mined or produced by Lessee or its affiliated companies from other adjoining lands so long as the same does not interfere with mining or oil and gas operations on the Premises. Lessor agrees to recognize the rights and interests of others in such Leased Substances, Products and materials stockpiled on the Premises and to permit the removal thereof by Lessee at any time during the term of this Lease, or by the owners thereof, for a reasonable time after termination of this Lease, all without liability or expense to Lessee.



as not to interfere with oil and gas or other mining operations on the Premises.

C. Waste.

Waste, overburden, surface stripping and other materials from the Premises may be deposited on or off the Premises to the extent Lessor can grant such right and subject to all applicable local, state and federal laws and regulations. Such materials from other adjoining lands may be deposited on the Premises only if the same will not interfere with mining or oil and gas operations on the Premises. Nothing in this Subsection C shall limit the above provisions in Subsections A and B concerning stockpiling Leased Substances and Products on or off the Premises.

Section 14. Mixing.

After Leased Substances and Products from the Premises have been sampled, where necessary, and weighed, or measured by volumetric survey, or other reliable industry practices, in such manner as will permit the accurate computation of payments to be made hereunder, Lessee may mix the same with Leased Substances, material or Products from other lands.

Section 15. Treatment.

Lessee shall have the right, to the extent Lessor can grant such right and subject to all applicable local, state and federal laws and regulations but shall not be required, to beneficiate, concentrate, smelt, refine, leach and otherwise treat, in any manner, any Leased Substances, Products and materials mined or produced from the Premises and from other adjoining lands. Such treatment may be conducted wholly or in part at a plant or plants established or maintained on the Premises or on such other lands. Such treatment shall be conducted in a careful and workmanlike manner. The tailings and residue from such treatment shall be deemed waste and may be deposited on the Premises or on such other lands. Lessor shall have no right, title or interest in said tailings or residue; provided, however, that any said tailings or residue remaining on the Premises or on such other lands for a period of one (1) year after the date on which this Lease has expired, or has been terminated by Lessee as to all of the Premises shall be deemed abandoned by Lessee and thereupon shall become the property of Lessor. Nothing contained herein shall be construed to

have Lessee from its responsibility for satisfaction of all



obligations with respect to environmental protection laws, mined land reclamation laws or other applicable federal, state or local laws and regulations.

Section 16. Lessor's Lien.

Lessor shall at all times have, possess and hold a lien upon all Leased Substances and Products mined from the Premises and shipped therefrom ~~but not sold to bona fide purchasers~~, and upon all improvements placed upon the Premises by Lessee, as security for any unpaid balance of money due hereunder and as security for the performance by Lessee of each and all of Lessee's covenants hereunder. This lien may be enforced against any such property in like manner as liens conferred by security agreements, or as any other lien, and security or lien may be enforced under the laws of the state in which Premises are situate. Nothing herein contained, however, is intended or shall be ~~construed~~ <sup>construed</sup> to prevent the sale, shipment and removal of Leased Substances or Products in the usual course of business, nor to prevent the removal of buildings, machinery, equipment, tools or other property at any time during the term hereof and when Lessee not in default. This lien shall not apply to Leased Substances or Products sold to customers in the ordinary course of business.

Section 17. Title.

A. Title Information and Data.

At any time during the first six months of the term hereof, upon written request by Lessee, Lessor shall obtain and deliver to Lessee abstracts of title to the Premises, together with copies of all title documents affecting the Premises which Lessor has in its possession. Any supplemental abstracts, additional title information or examination conducted shall be at the expense of Lessee.

Lessor agrees to make available to Lessee copies of any exploration data, assays, logs, maps, geological, geochemical and geophysical surveys and reports that Lessor may have in its possession, without charge.

B. Title Defects, Defense and Protection.

If title to the Premises, or any part thereof, in the opinion of Lessee's counsel, is defective, Lessee may elect to cure such defects at its expense. Lessor agrees to execute all documents and do any and all things that may be necessary or desirable to assist in eliminating defects in title.



all leased substances mined therefrom free and clear from any and all liens and other encumbrances arising in any manner whatsoever from Lessee's operations hereunder. If authorized by applicable statute, Lessor may post upon the Premises notices of non-liability for labor and materials furnished to Lessee, and Lessee shall maintain, during the term hereof, any such notices posted by Lessor.

Section 18. Insurance; Indemnity.

Prior to commencement of operations hereunder, Lessee shall obtain and maintain all Workmen's Compensation and Industrial Disease Insurance as required by the laws of the State of Utah, liability insurance and policies of insurance against fire and other risks for which insurance is customarily obtained in similar operations with coverage for public liability and damage insurance in the minimum amounts of Six Hundred Thousand Dollars (\$600,000.00) per person and One Million Five Hundred Thousand Dollars (\$1,500,000.00) per accident with such minimum coverage being adjusted upward at the end of each five (5) year period during the lease term in accordance with the Inflation Adjustment set out in Subsection 6-D. All such insurance shall be maintained by Lessee at its own expense throughout the duration of this lease, shall name Lessor as an additional insured, shall provide for waiver of subrogation against Lessor, and whenever Lessor reasonably so requests, Lessee shall furnish to Lessor evidence that such insurance is being maintained.

Each party covenants and agrees to indemnify and save harmless the other from and against any and all liability, claims, damages (including attorneys' fees) and causes of action for injury to or death of persons, and damage to or loss or destruction of property resulting from the indemnifying party's use or occupancy of the Premises or its operations hereunder.

Section 19. Termination; Removal of Property.

A. Termination by Lessor.

In the event of any default by Lessee in the performance of its obligations hereunder, including all obligation to make payments of money to Lessor, Lessor shall give to Lessee written notice specifying the default. If (a) a default involving matters other than the payment of money to Lessor is not cured within sixty (60) days after Lessee has received the notice, or if Lessee not within that time begun action to cure the default and does not thereafter diligently prosecute such action to completion, or (b)



a default involving the payment of money to Lessor is not cured within fifteen (15) days after Lessee has received the notice, Lessor may terminate this Lease by delivering to Lessee written notice of such termination, subject to Lessee's right to remove its property and equipment from the Premises as hereinafter provided. Lessor shall have no right to terminate this Lease except as set forth in this paragraph.

B. Termination by Lessee.

Lessee shall have the right to terminate this Lease at any time upon thirty (30) days' written notice delivered to Lessor. Upon such termination, or upon termination at the expiration of the term hereof, all right, title and interest of Lessee under this Lease shall terminate, subject to the following subsection C and Lessee shall not be required to make any further payments or to perform any further obligations hereunder concerning the Premises, except in the case of termination for reasons other than Lessor's default, payments or obligations which have been accrued hereunder pursuant to the express provisions of this Lease and which have not been paid or performed, and except for reclamation or restoration of the Premises required by local, state or federal law or regulations.

C. Removal of Property.

Upon any termination of this Lease, whether by expiration of the term hereof or by act of either party, Lessee shall have a period of one (1) year from and after the date of termination in which to remove from the Premises all of its machinery, buildings, structures, facilities, equipment and other property of every nature and description erected, placed or situated thereon, except supports placed in shafts, drifts or openings in the Premises or property on the Premises on the date of this Lease or owned by Lessor. Any property of Lessee not so removed at the end of said one (1) year period shall become the property of Lessor. In the event of force majeure, as hereinafter set forth, the terms and conditions of this subsection shall be appropriately extended.

Section 20. Force Majeure.

Lessee shall not be liable for failure to perform any of its obligations hereunder (except for payments to Lessor) during any period in which performance is prevented by any cause reasonably



causes hereinafter are called "force majeure". For purposes of this Lease, the term "force majeure" shall include, but shall not be limited to, fires, floods, windstorms and other damage from the elements, strikes, riots, action of governmental authority, litigation, acts of God and acts of the public enemy. The duration of this Lease shall be extended for a period equal to the period for which performance is reasonably suspended by reason of force majeure. All periods of force majeure shall be deemed to begin at the time Lessee stops performance hereunder by reason of force majeure. Lessee shall notify Lessor of the beginning and ending date of each such period.

Section 21. Disputes Not to Interrupt Operations.

Subject to the above right of Lessor to terminate this Lease, disputes or differences between the parties hereto shall not interrupt performance of this Lease or the continuation of operations hereunder unless a continuation of operations would cause irreparable harm to Lessor or the Premises. In the event of any dispute or difference, subject to the foregoing, operations may be continued, and settlements and payments may be made hereunder in the same manner as prior to such dispute or difference, until the matters in dispute have been finally determined between the parties, and thereupon such payments or restitutions shall be made as may be required under the terms of the settlement or final determination of the dispute.

Section 22. Notices.

Any notice required or permitted to be given hereunder shall be conclusively deemed properly given and received upon delivering same to the party to be notified, or upon mailing the notice, by registered or certified mail, return receipt requested, to the party to be notified, at the address hereinafter set forth, respectively, or such other address within the United States of America as the party to be notified may have designated prior thereto by written notice to the

LESSOR:

CROSBY CORPORATION  
914 Walker Bank Building  
175 South Main  
Salt Lake City, Utah 84111

ST. MARK PARISH LAND COMPANY  
910 Denver Center Building  
1776 Lincoln Street  
Denver, Colorado 80203

LESSEE:

W. H. HUDSON  
620 Mercantile Securities Building  
Dallas, Texas 75201

SCOTT L. SMITH  
1019 Kerns Building  
Salt Lake City, Utah 84101



Routine ~~and~~ regular reports and statements hereunder may be sent by regular mail addressed as above. If, after the proper mailing thereof, any of such reports and statements are not received when due, the addressee will notify Lessee in accordance with the above provisions for notice, and Lessee shall have a reasonable time to secure the delivery of the statement or report or a duplicate thereof without being in default hereunder.

Section 23. Recording.

If requested by Lessee or Lessor, the parties hereto shall execute a memorandum or short recording counterpart of this Lease, which counterpart shall be in a form sufficient to constitute notice of this Lease to third parties under the laws of the state in which the Premises are located, but which counterpart shall not contain the amounts or rates of payment hereunder, or other terms of this Lease which Lessee may elect not to disclose of record. The execution and recording of the above recording counterpart shall not limit, decrease or increase, or in any manner affect, any of the terms of this Lease or any rights, interests or obligations of the parties hereto.

Section 24. Change of Ownership.

No change of ownership of the Premises shall be binding upon Lessee except at Lessee's option in any particular case, whether Lessee has actual or constructive knowledge of such change of ownership, until thirty (30) days after Lessee shall have been furnished by certified or registered United States mail at Lessee's office address as set out herein with a certified copy of the recording instrument or instruments satisfactory in the opinion of Lessee to evidence such change of ownership and to establish the right, title or interest of the claiming party and the extent hereof. Irrespective of any such ownership change, all payments which Lessee may make hereunder shall be made in accordance with the terms of Section 6 hereof, and no change of ownership shall entitle any person to receive payments in any manner different from that provided for in said paragraph or shall require Lessee to separately sample, assay or mill Leased Substances derived from any portion of the Premises.

Section 25. Posting Notices.

Upon entering into possession of the Premises herein, Lessee agrees to immediately post and thereafter keep posted thereon



such notices as may be necessary to adequately notify all persons who may come in or upon the Premises that said Premises are held by Lessee under Lease from Lessor and that Lessee shall be liable for due compensation of all labor employed and the cost of all supplies and materials purchased and used by Lessee in or upon the Premises and that Lessee will be responsible for any and all debts and expenses incurred by it in mining or other operations thereon, with Lessor having no liability therefor. Lessee shall also comply with any existing statutes of the State of Utah which contain requirements for the posting of any such notices.

Section 26. Assignability.

Lessee shall not sell, convey, assign or transfer its rights and interest in this lease in whole or in part without the prior written consent of Lessor, except that such consent shall not be unreasonably withheld; provided, however, that the parties Lessee may assign and transfer any or all of such rights and interests to a corporation owned or controlled by the assignor or to a successor by reason of a sale of substantially all of a transferor's assets, merger, consolidation or reorganization without the consent of Lessor but no such assignment shall operate to relieve the assignor of any liability or obligation under this Lease which arose prior to such assignment.

Section 27. Miscellaneous.

(a) This Lease, and the rights and obligations of the parties hereunder, shall be governed by the laws of the state in which the Premises are located.

(b) Section headings in this Lease are for convenience only and shall not be considered a part of this Lease or used in its interpretation.

(c) Should any section or provision of this Lease be declared void or unenforceable in any jurisdiction, such declaration shall affect only that portion of the Lease so held void and unenforceable in any jurisdiction, and insofar as possible, all other sections, terms, covenants and conditions of the lease shall remain in full force and effect in such jurisdiction, and the invalidity or unenforceability of any provisions hereof in any jurisdiction shall not affect the validity or enforceability of any such provisions in any other jurisdiction.



(d) This document embodies the entire understanding of the parties, and there are no terms or conditions, express or implied other than those herein set forth. No amendment of this Lease shall be effective unless in writing and executed by the parties with the same formality as this document.

(e) This Lease may be executed in any number of counterparts by one or more or less than all of the parties hereto without the necessity of any other party executing the same, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

(f) All of the covenants, conditions and provisions of this Lease, including the obligation to make payments to Lessor as required hereunder, shall run with the land and shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Lease on the day and year first above written.

LESSOR:

CROSBY CORPORATION

By David Van Eura  
President

ATTEST:

William C. Lesler  
Assistant Secretary

ST. MARY PARISH LAND COMPANY

By James E. O'Connell  
President

ATTEST:

William C. Lesler  
Secretary

LESSEE:

W. H. HUDSON

Scott L. Smith  
SCOTT L. SMITH



STATE OF COLORADO )  
CITY & ) SS.  
COUNTY OF DEVER )

On the 21st day of February, A.D., 1978,  
personally appeared before me, W. H. HUDSON, the signer of  
the above instrument, who duly acknowledged to me that he  
executed the same.

W. H. Hudson  
Notary Public

My commission expires: June 15, 1981.

STATE OF Utah )  
COUNTY OF Salt Lake ) SS.

On the 27th day of February, A.D., 1978,  
personally appeared before me, SCOTT L. SMITH, the signer of  
the above instrument, who duly acknowledged to me that he  
executed the same.

Scott L. Smith  
Notary Public

My commission expires: 5/8/78.



STATE OF Utah )  
COUNTY OF Salt Lake ) SS.

On the 28 day of February, A.D., 1978,  
personally appeared before me, D. L. Van Evera, who,  
being by me duly sworn, did say that he is the \_\_\_\_\_ President  
of the CROSBY CORPORATION, and that said instrument was signed  
in behalf of said corporation by authority of its By-Laws, and  
said D. L. Van Evera acknowledged to me that  
said corporation executed the same.

Craig R. Morgan  
Notary Public

My commission expires: 10/7/81.

STATE OF COLORADO )  
CITY & ) SS.  
COUNTY OF DENVER )

On the 21st day of February, A.D., 1978,  
personally appeared before me, Thomas E. Congdon, who,  
being by me duly sworn, did say that he is the \_\_\_\_\_ President  
of ST. MARY PARISH LAND COMPANY, and that said instrument was  
signed in behalf of said corporation by authority of its  
By-Laws, and said Thomas E. Congdon acknowledged to  
me that said corporation executed the same.

Linda A. Ditzel  
Notary Public

My commission expires: June 15, 1981.



STATE OF COLORADO )  
CITY & ) SS.  
COUNTY OF DEVELOP )

On the 21st day of February, A.D., 1978,  
personally appeared before me, W. H. HUDSON, the signer of  
the above instrument, who duly acknowledged to me that he  
executed the same.

Linda A. Dittsworth  
Notary Public

My commission expires: June 15, 1981.

STATE OF Utah )  
COUNTY OF Salt Lake ) SS.

On the 27th day of February, A.D., 1978,  
personally appeared before me, SCOTT L. SMITH, the signer of  
the above instrument, who duly acknowledged to me that he  
executed the same.

Scott L. Smith  
Notary Public

My commission expires: 5/3/78.